

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Remedying Undue Discrimination
through Open Access Transmission Service
and Standard Electricity Market Design

Docket No. RM01-12-000

Avista Corporation,
Bonneville Power Administration,
Idaho Power Company,
Montana Power Company,
Nevada Power Company,
PacifiCorp,
Portland General Electric Company,
Puget Sound Energy, Inc.,
Sierra Pacific Power Company,
British Columbia Hydro and Power Authority

Docket No. RT01-35-000

Arizona Public Service Company,
El Paso Electric Company,
Public Service Company of New Mexico,
Tucson Electric Power Company

Docket No. RT02-1-000

WestConnect RTO, LLC

Docket No. EL02-9-000

California Independent System Operator
Corporation

Docket No. ER02-1656-000

California Independent System Operator
Corporation

Docket No. ER02-2576-000

NOTICE ANNOUNCING PROCESS FOR
WESTERN INTERCONNECTION MARKET DESIGN
AND POSTPONING TECHNICAL CONFERENCE

(October 25, 2002)

The Commission is announcing a process to develop compatible market designs in the Western Interconnect. The Commission wishes to build upon constructive ideas that emerged in technical meetings in Denver this week, comments from western commissioners at CREPC on October 1, and other outreach meetings around the West. In these meetings, participants learned about positive developments in RTO West, WestConnect, and the California ISO and flagged certain market design elements that may not be sufficiently compatible across the region. We note that the Seams Steering Group of the Western Interconnect (SSG-WI) and other regional organizations have been working to identify such elements in order to develop and support an evolving seamless western wholesale energy market that minimizes trade barriers and promotes common business practices for inter-RTO transmission services. We learned that SSG-WI is pursuing plans to formalize its role and to re-structure in a way that allows for open participation, and that there has been further clarification of the roles of SSG-WI, the WECC, and CREPC. Participants in these meetings asked FERC staff for an opportunity to resolve "seams" issues through these regional processes.

We are encouraged by these developments and offer FERC staff resources to support this effort. We believe that the seams resolution and market development process will be most successful if all market participants and representatives of public power and states fully participate, and if the process is driven by the market participants within the context of FERC's efforts. State participation is essential to this process, and states are encouraged to give their policy guidance through the appropriate regional organization. We request that SSG-WI develop a list of recommended market design elements appropriate for the western interconnect (i.e., balancing market, transmission rights, planning process, etc.), which elements must be designed compatibly to avoid seams, and a plan and timeline for resolution of these issues that is coordinated with RTO development efforts. This plan would include specific tasks for each of the current SSG-WI working groups and any other working groups that may be necessary. We request that SSG-WI present that plan by mid-January, consistent with previously set SSG-WI deadlines.

To accommodate this process, we recognize that some flexibility in RTO timelines may be required. We envision a parallel track between this process and RTO development processes so that both can continue to move forward. We expect the SSG-WI process to clarify which remaining issues can be resolved in RTO proceedings and which should be coordinated through this collaborative process for the Western Interconnect.

We will defer the November 4, 2002 policy meeting scheduled in Portland, Oregon, to allow this alternative process a chance to succeed. We will schedule a public

meeting, which Commissioners plan to attend, after a consensus plan has been presented. We expect further technical meetings between the parties during November and December to advance this process; our staff will participate.

Linwood A. Watson, Jr.,
Deputy Secretary